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CANADA MALTING CO.
LIMITED



ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1971

CANADA MALTING CO., LIMITED

Board of Directors

DOUGLAS W. AMBRIDGE, C.B.E., B.Sc.

NIGEL B. BAIRD

ERIC S. CLARKE

HARRY F. GRAESSER

W. DOUGLAS HATCH

STANTON J. BURKETT

RALPH B. McDONALD

GORDON McMILLAN, Q.C.

GEORGE H. SELLERS

REGINALD J. THOMAS

Honorary Director

JOHN P. HEIGHTON

Officers

HARRY F. GRAESSER	PRESIDENT AND CHIEF EXECUTIVE OFFICER
REGINALD J. THOMAS	VICE-PRESIDENT FINANCE AND SECRETARY
STANTON J. BURKETT	VICE-PRESIDENT SALES
WALTER W. COMBER	TREASURER

Head Office

TORONTO - ONTARIO

Malthouses and Elevators

MONTREAL, QUEBEC - - WINNIPEG, MANITOBA

TORONTO, ONTARIO - - CALGARY, ALBERTA

THUNDER BAY, ONTARIO

Transfer Agent

CANADA PERMANENT TRUST COMPANY

TORONTO, ONTARIO - - MONTREAL, QUEBEC

CALGARY, ALBERTA

Registrar

MONTREAL TRUST COMPANY

TORONTO, ONTARIO - - MONTREAL, QUEBEC

CALGARY, ALBERTA

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF
CANADA MALTING CO., LIMITED

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1971

The Board of Directors are pleased to present the following report, together with the Consolidated Financial Statements of the Company, for the twelve months ended December 31, 1971, and the Report by the Auditors, Price Waterhouse & Co.

Net earnings for the year amounted to \$2,630,422, and after allowing for accrued dividends on the preferred stock, are equal to \$2.89 per common share. The corresponding figures for the previous year were \$2,107,042 and \$2.28, respectively.

Total shipments of malt for the year were the highest in the company's history, largely due to the strong demand in our export markets, particularly in the earlier part of the year.

The increase in earnings over the previous year was due to this greater volume of malt shipments, which more than offset higher manufacturing costs, together with a larger contribution from our subsidiary, Leaver Mushrooms Co. Limited. The company also benefited from the reduction in the rate of corporation tax and the withdrawal of the 3% surtax, both effective for the second half of the year.

Earnings of Hugh Baird & Sons Limited, our associate company, continued to show an improvement over previous years. Earnings have only been included to the extent of dividends received.

Capital expenditures during the year amounted to \$4,559,332, due largely to the expansion of the Calgary plant and the completion of the new mushroom facilities by our subsidiary company. The addition to the malthouse was completed in December, and construction of additional storage and barley handling facilities is proceeding on schedule towards completion this summer. All your plants and properties have been well maintained.

Our shareholders will be interested to know that Leaver's products are available in most stores across Canada. An illustration of their label and the insignia appears on the last page of this report.

Your Directors gratefully acknowledge the support and cooperation of all employees, whose combined efforts have made these results possible.

On behalf of the Directors,

HARRY F. GRAESSER,
President.

CANADA MALTING CO., LIMITED
and subsidiary company

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31	
	1971	1970
Net Sales	\$46,676,679	\$41,137,470 ✓
Costs and expenses:		
Cost of products sold and all expenses except items shown below	39,145,323	34,768,300
Interest on debentures	96,000	96,000
Bank and other interest	265,717	131,167
Provision for depreciation	1,432,272	1,326,386
Amortization of leasehold interests	49,079	48,571
	<u>40,988,391</u>	<u>36,370,424</u>
Earnings from operations	5,688,288	4,767,046
Investment and other income (Note 2)	85,389	110,447
	<u>5,773,677</u>	<u>4,877,493</u>
Provision for income taxes (Note 3)	3,046,000	2,706,000
Earnings before minority interest	2,727,677	2,171,493
Minority interest in earnings of subsidiary	97,255	64,451
Net earnings for the year	<u>\$ 2,630,422</u>	<u>\$ 2,107,042</u> ✓
Earnings per share after preferred dividends	\$2.89	\$2.28 ✓

CONSOLIDATED STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

	Year ended December 31	
	1971	1970
Balance at beginning of year	\$ 9,659,633	\$ 8,548,433
ADD:		
Net earnings for the year	2,630,422	2,107,042
Excess of par value over cost of Series B preferred shares purchased for cancellation	—	3,404
	<u>2,630,422</u>	<u>2,110,446</u>
	<u>12,290,055</u>	<u>10,658,879</u>
DEDUCT:		
Dividends on Series B preferred shares (Note 4)	134,328	135,358
Dividends on common shares (1971 - \$1.05 per share; 1970 - \$1.00 per share)	907,082	863,888
	<u>1,041,410</u>	<u>999,246</u>
Balance at end of year (Note 5)	<u>\$11,248,645</u>	<u>\$ 9,659,633</u>

CANADA MALTING
and subsidiaries

CONSOLIDATED

ASSETS

	December 31	
	<u>1971</u>	<u>1970</u>
CURRENT ASSETS:		
Cash	\$ 413,178	\$ 245,291
Accounts receivable	3,857,535	4,057,821
Inventories:		
Malt, barley, etc., at the lower of cost and net realizable value	14,224,559	12,950,183
Operating supplies, at not in excess of cost	323,759	323,428
Prepaid expenses	151,237	237,888
	<u>18,970,268</u>	<u>17,814,611</u>
 OTHER ASSETS:		
Investment in shares of Hugh Baird & Sons, Limited (50% owned), at cost (Note 2)	2,499,484	2,499,484
Grain Exchange Seats and Memberships in Clearing Associations, less amounts written off	<u>1</u>	<u>1</u>
	2,499,485	2,499,485
 FIXED ASSETS, as appraised in 1955 with subsequent additions at cost:		
Buildings, plant and equipment	39,488,093	35,023,827
Less: Accumulated depreciation	<u>16,699,057</u>	<u>15,348,477</u>
	22,789,036	19,675,350
Land	1,683,024	1,669,650
Leasehold interests, less amortization of \$97,650 (1970 - \$48,571)	<u>133,550</u>	<u>182,629</u>
	24,605,610	21,527,629
 Approved on behalf of the Board:		
HARRY F. GRAESSER, <i>Director</i>		
REGINALD J. THOMAS, <i>Director</i>		
	<u>\$46,075,363</u>	<u>\$41,841,725</u>

CO., LIMITED
company
BALANCE SHEET

LIABILITIES

	<u>December 31</u>	
	<u>1971</u>	<u>1970</u>
CURRENT LIABILITIES:		
Bank advances	\$ 3,234,947	\$ 2,438,628
Notes payable	3,700,000	2,500,000
Accounts payable and accrued	2,448,040	2,350,246
8% First mortgage debentures payable 1972	100,000	—
Taxes on income	315,390	138,132
	<u>9,798,377</u>	<u>7,427,006</u>
LONG TERM DEBT:		
8% First Mortgage Debentures of subsidiary payable \$100,000 annually 1973 to 1983	1,100,000	1,200,000
DEFERRED INCOME TAXES (Note 3)	799,500	523,500
MINORITY INTEREST IN SUBSIDIARY	961,706	864,451
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized —		
10,000,000 preferred shares of a par value of \$1 each, issuable in series		
1,200,000 common shares without nominal or par value		
Issued and outstanding —		
2,238,794 6% cumulative redeemable Series B preferred shares (Note 4)	2,238,794	2,238,794
863,888 common shares	5,099,665	5,099,665
Earnings employed in the business (Note 5)	11,248,645	9,659,633
	<u>18,587,104</u>	<u>16,998,092</u>
Excess of appraised value of fixed assets over depreciated book value on February 28, 1955	14,828,676	14,828,676
	<u>33,415,780</u>	<u>31,826,768</u>
	<u><u>\$46,075,363</u></u>	<u><u>\$41,841,725</u></u>

CANADA MALTING CO., LIMITED
and subsidiary company

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	<u>1971</u>	<u>1970</u>
Source of funds:		
Net earnings	\$ 2,630,422	\$ 2,107,042
Charges against earnings not affecting cash outlay —		
Provision for depreciation	1,432,272	1,326,386
Amortization of leasehold interests	49,079	48,571
Deferred income taxes (Note 3)	276,000	65,500
Minority interest in earnings of subsidiary	97,255	64,451
Funds provided from operations	<u>4,485,028</u>	<u>3,611,950</u>
Application of funds:		
Investment in capital stock of subsidiary	—	1,200,000
Additions to fixed assets (net)	4,559,332	2,547,414
Dividends on Series B preferred shares (Note 4)	134,328	135,358
Dividends on common shares	907,082	863,888
Cost of Series B preferred shares purchased for cancellation	—	34,936
First mortgage debentures payable 1972	<u>100,000</u>	<u>—</u>
	<u>5,700,742</u>	<u>4,781,596</u>
Resulting in a decrease in working capital of	(1,215,714)	(1,169,646)
Working capital at beginning of year	<u>10,387,605</u>	<u>11,557,251</u>
Working capital at end of year	<u>\$ 9,171,891</u>	<u>\$10,387,605</u>

FIVE YEAR EARNINGS

	<u>Net Earnings</u>	<u>Earnings per Common Share</u>
1967	1,505,342	1.74
1968	1,415,065	1.50*
1969	2,082,970	2.25*
1970	2,107,042	2.28*
1971	2,630,422	2.89*

*After providing for dividends on preferred shares.

CANADA MALTING CO., LIMITED
and subsidiary company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1971

1. The consolidated financial statements include the accounts of Leaver Mushrooms Co. Limited, a 60% owned subsidiary.
2. The Company's equity in the net earnings of Hugh Baird & Sons Limited (50% owned) amounted to \$237,171 for its eleven month fiscal period ended July 31, 1971 and dividends of \$85,389, included in investment and other income, were received during 1971. The corresponding figures for 1970 were equity in net earnings of \$133,489 for the fiscal year ended August 31, 1970 and dividends received of \$84,565.
3. Depreciation allowances for tax purposes for 1971 exceed the depreciation provided in the accounts. The resulting reduction of \$276,000 in income taxes currently payable has been charged to earnings as part of the provision for income taxes and set aside on the balance sheet as deferred income taxes.
4. Dividends on the Series B preferred shares are payable annually; such a dividend has been declared to shareholders of record at February 15, 1972 and is payable March 15, 1972.
5. Earnings employed in the business at December 31, 1971 include \$2,080,646 designated as capital surplus under Section 62 of the Canada Corporations Act, arising from the redemption and cancellation of 1,727,776 Series A preferred shares in 1969 and the purchase and cancellation of 352,870 Series B preferred shares during 1970 and prior years.
6. The completion of construction in progress at December 31, 1971 will require capital expenditures of approximately \$1,750,000.
7. The remuneration of ten directors amounted to \$14,200 (1970 - \$13,600) and the remuneration of five officers amounted to \$169,174 (1970 - \$164,915). Four of the officers are also directors of the Company.

AUDITORS' REPORT

To the Shareholders of
Canada Malting Co., Limited:

We have examined the consolidated balance sheet of Canada Malting Co., Limited and its subsidiary company as at December 31, 1971 and the consolidated statements of earnings, earnings employed in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.

Chartered Accountants.

Toronto, Ontario
February 25, 1972

The Label of Canada's Most Widely Used Mushrooms

LEAVER



YOU CAN TASTE THE QUALITY OF LEAVER BRANDS

*Choice Buttons • Choice Sliced • Choice Whole
Pieces and Stems*



